

**Shreveport Regional Arts Council  
Shreveport, Louisiana**

**Financial Statements**

***As of and for the Year Ended June 30, 2010***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/9/11

Shreveport Regional Arts Council  
Shreveport, Louisiana

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## Independent Auditors' Report

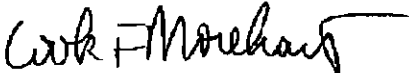
To the Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

We have audited the accompanying statement of financial position of the Shreveport Regional Arts Council (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Shreveport Regional Arts Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Regional Arts Council as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the Shreveport Regional Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Cook & Morehart  
Certified Public Accountants  
November 12, 2010

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Financial Position  
June 30, 2010

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 331,866
Investments	1,082,306
Grants receivable	94,349
Other receivables	81,897
Unconditional promises to give	47,860
Prepaid expenses	4,785
<b>Total current assets</b>	<b><u>1,843,063</u></b>

**Noncurrent assets:**

Long-term unconditional promises to give	68,841
Deposits	2,158
Cash restricted for facility renovations	25,000
Property and equipment, net	61,639
<b>Total noncurrent assets</b>	<b><u>158,638</u></b>

<b>Total Assets</b>	<b><u>\$ 1,801,699</u></b>
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**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable	\$ 56,248
Grants payable	78,287
Accrued expenses	46,061
<b>Total current liabilities</b>	<b><u>180,597</u></b>

**Net assets**

<b>Unrestricted:</b>	
Operating	46,585
Designated	1,162,006
<b>Fixed assets</b>	<b>61,639</b>
<b>Temporarily restricted</b>	<b><u>350,872</u></b>
<b>Total net assets</b>	<b><u>1,621,102</u></b>

<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,801,699</u></b>
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The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Totals
<b>Revenues, gains, support and reclassifications:</b>			
Admissions sales and concessions	\$ 305,745	\$	\$ 305,745
Tuition and fees	227,839		227,839
Individual contributions	169,398		169,398
Business and industry contributions	183,104		183,104
Foundation grants	106,449	118,711	225,160
Government grants / contracts:			
City of Shreveport	175,000		175,000
Other governments	375,600		375,600
State of Louisiana	396,354		396,354
Special events -			
Christmas in the Sky	134,255	28,171	162,426
Investment income	104,367		104,367
Miscellaneous income	63,866		63,866
Net assets released from restrictions			
Satisfaction of program restrictions	227,151	(227,151)	
<b>Total revenues, gains, support and reclassifications</b>	<b>2,469,128</b>	<b>(80,269)</b>	<b>2,388,859</b>
<b>Expenses:</b>			
Supporting services -			
General and administrative	476,662		476,662
Special events fund raising - Christmas in the Sky	116,797		116,797
<b>Total supporting services</b>	<b>593,459</b>		<b>593,459</b>
Program services			
Artbreak	304,511		304,511
Artspace	769,692		769,692
Decentralized Arts Funding	298,201		298,201
Triumph Over Tragedy	276,697		276,697
Regrants, Panels and other programs	269,635		269,635
<b>Total programs services</b>	<b>1,918,736</b>		<b>1,918,736</b>
<b>Total expenses</b>	<b>2,512,195</b>		<b>2,512,195</b>
Change in net assets	(43,067)	(80,269)	(123,336)
Net assets, beginning of year	1,313,297	431,141	1,744,438
Net assets, end of year	\$ 1,270,230	\$ 350,872	\$ 1,621,102

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Functional Expenses  
For the Year Ended June 30, 2010

	Support Services		Program Services					Totals	
	General and Administrative	Fund Raising - Christmas In the Sky	Air/break	Artspace	Decentralized Arts Funding	Triumph over Tragedy	Regrants, Panels and Other Programs	Program Services	Totals
Admissions sales and concessions	\$	\$	\$	\$	\$	\$	\$	\$	\$
Awards			9,500	146,185		2,525		146,185	146,185
Bank charges	1,247	2,312	100	2,050	368			14,076	14,075
Depreciation expense	16,126			5,881				6,149	9,708
Dues and subscriptions	3,574								16,126
Employee benefits	48,476	7,284	5,426	150	1,400	6,033		150	3,724
Equipment and facility rentals	8,481		8,385	22,398		800		35,257	91,017
Event expenses			9,114	6,247		8,025		8,985	15,466
Grants to other agencies					243,326		269,627	23,386	23,386
Insurance expense	15,374			2,187				512,953	512,953
Investment expense	12,498							2,187	17,561
Miscellaneous expense	2,649			1,250		83		1,723	12,498
Payroll taxes	12,159	4,954	390	20,248	2,611	4,678		31,838	49,889
Postage and Freight	12,495	5,992	4,300	4,542	214	317		5,178	17,712
Professional artist fees	2,681	39	105	43,233	500	68,350		196,144	199,330
Professional services	87,444	505	84,081	43,233	10,088	35,793		139,128	230,598
Promotion and printing	11,465	4,026	12,724	80,523	1,055	22,268		53,036	70,899
Repair and maintenance	1,241	6,398	4,183	25,530				13,115	14,395
Salaries	174,300	39		13,115				421,993	676,968
Seminar fees	1,851	80,675	57,717	265,921	35,153	63,202		1,231	3,773
Supplies and fees	32,553	691	169	435		827		286,750	301,813
Taxes - other	2,241	2,510	102,373	115,212	1,186	47,879		4,641	8,882
Technical fees	3,068			4,641					3,068
Telephone	15,383	43	169	1,572		194		1,935	17,361
Travel									
Program Staff and board	12,768	1,329	5,795	6,571	2,300	16,023	8	32,697	32,697
Utilities	588								14,097
									588
	<u>\$ 476,662</u>	<u>\$ 116,797</u>	<u>\$ 304,511</u>	<u>\$ 769,592</u>	<u>\$ 298,201</u>	<u>\$ 276,697</u>	<u>\$ 269,635</u>	<u>\$ 1,918,736</u>	<u>\$ 2,512,195</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Statement of Cash Flows  
For the Year Ended June 30, 2010

**Operating Activities**

Changes in net assets	\$ (123,336)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	16,126
Realized and unrealized gains and losses on investments	(64,534)
Loss on disposal of assets	37,712
(Increase) decrease in operating assets:	
Grants receivable	(76,727)
Other receivables	(63,147)
Promises to give	(15,263)
Increase (decrease) in operating liabilities:	
Accounts payable	33,112
Grants payable	(19,740)
Accrued expenses	14,561
Net cash provided (used) by operating activities	<u>(261,236)</u>

**Investing Activities**

Sales and maturities of investments	1,158,356
Purchases of investments	(1,136,649)
Payments for property and equipment	<u>(34,678)</u>
Net cash (used) by investing activities	<u>(12,971)</u>

Net increase (decrease) in cash and cash equivalents	(274,207)
Cash and cash equivalents as of beginning of year	<u>631,073</u>
Cash and cash equivalents as of end of year	<u>\$ 356,866</u>

The accompanying notes are an integral part of the financial statements.

**Shreveport Regional Arts Council**  
**Shreveport, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2010**

**(1) Summary of Significant Accounting Policies**

**A. Nature of Activities**

The Shreveport Regional Arts Council (SRAC) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. SRAC's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. SRAC's services, therefore, include providing cultural programming, scheduling and coordinating cultural activities, and other professional services directed toward its stated goal.

**B. Basis of Accounting**

The financial statements of SRAC have been prepared on the accrual basis of accounting.

**C. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

**D. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**E. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, SRAC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**F. Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**G. Investments**

Investments are stated at fair market value, based on quoted market prices.

**H. Property and Equipment**

It is the policy of SRAC to capitalize all fixed assets with a unit cost of \$500 or more. Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the

(Continued)



**Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2010  
(Continued)**

estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

**I. Restricted and Unrestricted Revenue and Support**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**J. Advertising Costs**

SRAC uses advertising to promote its services among the community it serves. The costs of advertising are expensed as incurred. For the year ended June 30, 2010, advertising costs totaled \$15,031 and are included in promotions on the Statements of Functional Expenses.

**K. Employee Benefit Plans**

SRAC established a Simple Retirement Account plan for its full and part-time employees. An employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, whichever is less. The contribution charged to expense for the year ended June 30, 2010 was \$5,132.

**L. Income Tax Status**

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period.

**M. Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**N. Accrued Absences**

SRAC's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employee with 0–5 years experience; up to 96 hours for employees with 5–10 years experience; up to 120 hours for employees with 10–15 years experience; up to 144 hours for employees with 15–20 years experience; and up to 168 hours for employees with over 20 years experience. An accrued liability for vacation time of \$36,242 is included in accrued expenses at June 30, 2010.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2010  
(Continued)

**O. Fair Value Measurements**

FASB Statement No. 157, *Fair Value Measurements*, defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various other accounting pronouncements.

Assets and liabilities measured at fair value are recorded in accordance with SFAS No. 157, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are assessable at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active market that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

**(2) Agreement for Services**

Under a formal agreement for services between the City of Shreveport (the City) and SRAC, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement.

**(3) Concentrations of Credit Risk**

SRAC maintains cash balances at several financial institutions located in the Shreveport area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2010 total cash balances held at financial institutions was \$389,078, all which of was secured by FDIC insurance.

Concentrations of credit risk with respect to promises to give are limited due to the large number of contributors comprising SRAC's contributor base and their dispersion across different industries. As of June 30, 2010, SRAC had no significant concentrations of credit risk in relation to promises to give.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2010, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2010  
(Continued)

(4) Promises to Give

Unconditional promises to give at June 30, 2010 are as follows:

Capital – Central Fire Renovations	\$ 93,891
Legacy	<u>24,582</u>
	<u>\$ 118,473</u>
Receivable in less than one year	\$ 47,860
Receivable in one to five years	70,614
Less discount on promises	<u>( 773)</u>
Net long-term	<u>69,841</u>
Net unconditional promises to give	<u>\$ 117,701</u>

Amounts shown are net of an allowance for doubtful accounts of \$25,925. Promises receivable expected to be collected over more than one year are discounted at .12%.

Conditional promises to give at June 30, 2010 consist of a \$100,000 donation from a private company. This donation will be released to SRAC when SRAC verifies that it has raised the initial \$900,000 of the \$1,000,000 for the Renovation of the Central Fire Station through other private donors.

(5) Investments

The investments are presented in the financial statements at fair value using level 1 fair value measures (quoted prices in active markets). Investments as of June 30, 2010 consisted of the following:

	Fair Value	Cost
Money market	\$ 100,376	\$ 100,374
Fixed income	390,073	389,731
Other assets	199,282	205,994
Equities	<u>392,575</u>	<u>385,374</u>
	<u>\$ 1,082,306</u>	<u>\$ 1,081,473</u>

For year ended June 30, 2010, interest and dividends were \$39,838, realized gains were \$98,012 and unrealized losses were \$33,483.

(6) Property and Equipment

Property and equipment at June 30, 2010, with estimated depreciable life, are summarized as follows:

Leasehold improvements	7 – 20 years	\$ 121,128
Furniture, fixtures, equipment	5 – 10 years	<u>55,082</u>
		176,210
Accumulated Depreciation		<u>( 114,571)</u>
		<u>\$ 61,639</u>

Depreciation expense for the year ended June 30, 2010 was \$16,126.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2010  
(Continued)

(7) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Artspace	\$ 203,890
Renovation of Central Fire Station	118,711
Christmas in the Sky	<u>28,171</u>
	<u>\$ 350,872</u>

(8) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2010 totaling \$1,082,306 to insure that SRAC's resources will remain stable regardless of potential changes in public or private funding.

In addition, the Board has designated \$79,700 from funds received from the City of Shreveport to be used for regrants and Artspace.

(9) Operating Leases

SRAC leases certain storage space and equipment under operating leases. Rental costs for these leases for the year ended June 30, 2010 were \$8,881. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year are as follows:

<u>For the Year Ending June 30,</u>	
2011	\$ 6,540
2012	6,540
2013	6,540
2014	6,540
2015	<u>1,988</u>
Total minimum future rentals	<u>\$ 28,148</u>

(10) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2010:

Accrued leave payable	\$ 36,242
Accrued payroll	<u>9,819</u>
	<u>\$ 46,061</u>

(11) Third Party Reimbursement

During the year ended June 30, 2010, SRAC received contractual revenue from state, parish, and city grants in the amount of \$946,954. The continued existence of these funds is based on annual contract renewals with various funding sources.

(Continued)

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Notes to Financial Statements  
June 30, 2010  
(Continued)

(12) **Donated Materials, Facilities, and Services**

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the year ended June 30, 2010 were \$30,155, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

(13) **Grants Payable**

Grants payable at June 30, 2010 represent amounts owed to recipients of arts grants awarded by SRAC but not yet paid. Final payments are made upon receipt of final reports from the recipients.

(14) **Endowment Account with Community Foundation of Shreveport-Bossier**

SRAC has entered into an agreement with the Community Foundation of Shreveport-Bossier (CFSB). The agreement establishes an Agency Endowment Fund at CFSB called "Arts Forever Fund" (Fund). All property of the Fund belongs to CFSB. The fund will be used for support of the charitable purposes of SRAC. Net income and capital appreciation of the Fund, as governed by CFSB's Spending Policy, will be paid and distributed to SRAC at least annually, for as long as SRAC is a Qualified Charitable Organization.

The fair market value of the fund at June 30, 2010 was \$174,024.

(15) **Subsequent Event**

Subsequent events have been evaluated through November 12, 2010, the date the financial statements were available to be issued.

(16) **Commitments**

SRAC has entered into contracts for the design and renovation of the Central Fire Station totaling \$128,000. As of June 30, 2010, \$10,000 of the contracts had been incurred.

## COOK & MOREHART

*Certified Public Accountants*

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### Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors  
Shreveport Regional Arts Council  
Shreveport, Louisiana

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport Regional Arts Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Regional Arts Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying summary schedule of audit findings as item 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

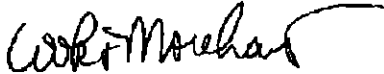
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Regional Arts Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Shreveport Regional Arts Council's response to the finding identified in our audit is described in the accompanying summary schedule of audit findings. We did not audit Shreveport Regional Arts Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart  
Certified Public Accountants  
November 12, 2010

Shreveport Regional Arts Council  
Shreveport, Louisiana  
Summary Schedule of Audit Findings  
June 30, 2010

**Summary Schedule of Prior Audit Findings**

There is one significant deficiency for the prior year audit for the year ended June 30, 2009, as follows:

**2009-1 SIGNIFICANT DEFICIENCY**

*Statement of Deficiency:* During our audit, we noted the following with regards to the agency's receipt function:

- ♦ The accountant who maintains the agency's general ledger is also responsible for preparing deposit slips, recording deposits in general ledger, and taking deposits to the bank.
- ♦ Controls over receipts at an offsite location were inadequate. Cashiers were not closing out registers daily or depositing credit card receipts timely.

*Recommendation:* We recommend that adequate internal controls be established concerning separation of duties, including deposit slips being prepared by an employee independent of the general ledger function. We further recommend that additional controls be implemented with regards to offsite receipts, including closing out registers daily, remitting credit card receipts timely, and reconciling actual deposits to cash register reports on a continual basis.

*Current Status:* See repeat comment in current year audit.

**Corrective Action Plan for Current Year Audit Findings**

There is one significant deficiency for the current year audit for the year ended June 30, 2010, as follows:

**2010-1 SIGNIFICANT DEFICIENCY**

*Statement of Deficiency:* During our audit, we noted the following with regards to the agency's receipt function:

- ♦ The accountant who maintains the agency's general ledger is also responsible for preparing deposit slips, recording deposits in general ledger, and taking deposits to the bank.
- ♦ Controls over receipts at an offsite location were inadequate. Cashiers were not closing out registers daily or depositing credit card receipts timely.

*Recommendation:* We recommend that adequate internal controls be established concerning separation of duties, including deposit slips being prepared by an employee independent of the general ledger function. We further recommend that additional controls be implemented with regards to offsite receipts, including closing out registers daily, remitting credit card receipts timely, and reconciling actual deposits to cash register reports on a continual basis.

*Management response:* Being a non-profit organization we are limited in personnel and resources; however, we are evaluating ways to improve the situation relative to this issue. We will seek another employee to review the prepared deposits which will then be taken to the bank by another employee, other than the accountant.

Our organization has worked diligently to alleviate these inconsistencies and we are comfortable that we now have this under control. We have daily procedures and checklists in place to ensure that registers are correctly opened and closed daily and deposits are made timely and properly reported to the accountant. We have also invested in a new Point of Sale system where the daily transactions can be monitored by our accountant. We have hired a new Operations Director who is ensuring that all daily procedures are followed, which includes registers being closed-out daily, deposits made accurately and timely and all correctly reported to our accountant.